

Drug Intelligence Brief



DRUG ENFORCEMENT ADMINISTRATION
INTELLIGENCE DIVISION

December 2001

PANAMA—COUNTRY BRIEF



Panama General Information

DEA Office Responsible	Panama Country Office
Population	2,800,000
Area	75,517 square kilometers (29,762 square miles)
Capital	Panama City
Type of Government	Constitutional Republic

Panamanian Top Government Officials

President	Mireya Moscoso
National Security Advisor	Pablo Quintero Luna
Attorney General	Jose Antonio Sossa-R.
Minister of Government and Justice	Winston Spadafora
Minister of Foreign Affairs	Jose Miguel Aleman
Minister of Economy and Finance	Victor Juliao

HISTORICAL BACKGROUND

Following the removal of the military regime of Manuel Antonio Noriega Moreno in December 1989 by U.S. troops, the succeeding administration of democratically elected Guillermo Endara Galimany experienced severe economic problems and political instability. Economic instability and public resentment over the Endara Administration's perceived dependence on the United States prevented Endara from having a successful presidency. Elections held in May 1994 resulted in a narrow victory for Democratic Revolutionary Party (PRD) candidate Ernesto Perez Balladares, who received only one third of the votes cast in the election among several candidates. As a result of his extremely limited mandate, Perez Balladares had to obtain the support and cooperation of other political parties to rule the country.

The PRD under Perez Balladares was unable to stabilize the internal security situation in Panama any more than Endara's Administration. Drug trafficking, corruption, and the use of Panama as a major transportation hub for both drugs and money by the Colombian drug cartels were widespread during the Perez Administration, at levels comparable to previous administrations. The PRD lost the May 1999 presidential election to opposition candidate Mireya Moscoso.

In addition to the election of Moscoso as Panama's President, 1999 witnessed two other important events likely to change Panama's development. The first was the increased incursion into Panamanian territory by Colombian guerrillas and paramilitary groups, and the second was the return of the Panama Canal by the U.S. Government to Panamanian control. The simultaneous departure by U.S. troops from the Canal Zone and the entry of warring Colombian factions along Panama's South American border left Panama with an increasingly tenuous security situation and many Panamanians concerned about the future.

OVERVIEW

Panama is the most strategically located country in the Western Hemisphere for drug trafficking and other criminal activities. Panama is a crossroads for international crime because of its location between South America and North America. Panama's location next to Colombia, its long coastlines, numerous islands, and the Panama Canal make it a key staging point for drug shipments originating in Colombia for further shipment north. Panama's 225-kilometer land border with Colombia, its roughly 2,800 kilometers of Caribbean and Pacific coastline, and over 1,480 islands make for an almost impossible task of policing its borders. Additional factors making Panama attractive to drug traffickers are the weak Panamanian law enforcement and public security institutions, the large sophisticated international banking sector, the Colon Free Zone (CFZ), and the cargo container port facilities on both ends of the Panama Canal. Panama is also an international commercial air hub, with flights to the Americas, the Caribbean, Asia, and Europe. Panama's airspace is uncontrolled and there are several smaller domestic airports in addition to the Tocumen International Airport in Panama City.

Panama continues to be a major financial and commercial center for illicit financial transactions and drug smuggling. Money laundering remains the most serious drug-related problem in Panama. Panama's large and sophisticated banking and trading institutions, its U.S. dollar-based economy, and its proximity to Colombia make it an attractive target for money laundering.

Drug Seizures/Arrests in Panama 1996 - 2001

	1996	1997	1998	1999	2000	2001
Cocaine (kilograms)	8,600	11,300	11,771	2,577	6,640	2,216
Heroin (kilograms)	10	33	22	46	69	78
Marijuana (kilograms)	18,120	14,100	16,530	1,558	2,490	N/A
Significant Drug Arrests	N/A	N/A	168	131	237	N/A
Total Drug Arrests	1,252	1,350	1,732	2,161	2,776	N/A

CULTIVATION AND PRODUCTION

Cannabis is cultivated on a limited scale in the Las Perlas Islands in the Gulf of Panama, where marijuana is produced primarily for domestic consumption. Seizures of domestically grown cannabis over the last several years have been insignificant.

The incursion into the Darien border region by Colombian guerrillas and para-military groups has resulted in the presence of cocaine hydrochloride processing laboratories along the Panamanian-Colombian border. As of December 2000, there was little information regarding the amount or scale of Colombian cocaine production and processing in Panama.

CHEMICALS/PROCESSING

Panama is not a major producer or significant consumer of essential chemicals. Panamanian legislation passed in 1994 established penalties for the illicit manufacture, use, and transport of essential and precursor chemicals. In 1995, officials examined over a dozen chemical companies based on U.S. Government information, but charged none with violations. During the same year Panama and Colombia reached an agreement to impede the diversion of precursor chemicals and essential substances. In the late 1990s, Panama's National Commission for the Study and Prevention of Drug Related Crimes (CONAPRED) attempted to establish a chemical control policy to coordinate the efforts of Panamanian law enforcement entities with the needs of the private sector, with the Technical Judicial Police (PTJ) as the lead agency conducting investigations and tracking drug shipments.

Despite government efforts to prevent drug trafficking groups from using Panama's port facilities and banking sector for illicit purposes during 2000, Panama still needs to develop legislation, define the roles of government agencies, and control shipments of precursor chemicals without impeding legitimate trade. Panamanian legislation on precursor chemicals remains vague and difficult to interpret and enforce. Panamanian institutions are not equipped to monitor or control the traffic in precursor chemicals. A large volume of chemicals transits the CFZ for other countries, and there is growing concern among both U.S. and Panamanian law enforcement officials that Panama could become a major transshipment point for illegal precursor chemicals. Panama is potentially a very weak link in world efforts to increase precursor chemical control, given its unique location as Colombia's neighbor, its possession of the Panama Canal, the lax controls on the CFZ, the volume of trade transiting the country, and weaknesses in Panamanian law enforcement institutions.

DRUG TRAFFICKING TRENDS

Panama is a key hub for the transit of South America-produced cocaine and, increasingly, heroin and precursor chemicals. Drug shipments pass through Panama by land, sea, and air routes. Fishing vessels, cargo ships, and go-fast boats transit Panamanian waters, and either continue on to other Central American countries or drop off their cargo in Panama. Once the cocaine is in Panama, traffickers repackage it either for transportation northward along the Pan-American Highway or in sea freight containers. Cocaine entering Panama from air routes is brought in by small planes, which enter Panamanian airspace to drop the drugs off in remote, lightly populated areas such as the San Blas region along the Caribbean coast. Couriers transport smaller amounts of heroin and cocaine on commercial air flights, particularly to Spain, the Netherlands, Germany, and the United Kingdom.

During the first half of 2001, Panamanian Law enforcement agencies reported seizing 2,216 kilograms of cocaine, compared to 6,640 kilograms of cocaine and 2,490 kilograms of marijuana seized during 2000. The 2000 seizures contrasted with the 2,577 kilograms of cocaine and 1,558 kilograms of marijuana reported seized in 1999. In spite of the increase over 1999, seizure totals during 2000 were still much lower than the record levels of 11,771 kilograms of cocaine and 16,530 kilograms of marijuana seized in 1998. Seizures of heroin continue to increase; from 22 kilograms seized in 1998, to 46 kilograms seized in 1999, 69 kilograms seized in 2000, and 78 kilograms seized during the first half of 2001. The increasing seizure totals indicate that Panama has become an important link in the route through which drug trafficking organizations funnel Colombian heroin to the United States.

Seizures and intelligence reporting indicate that smuggling via large commercial and small private vessels transiting Panamanian ports with cargo continue to be the most utilized drug transshipment method available. Complicating the challenge to law enforcement officials is the ease with which illegal drugs are stored in Panama to be repackaged and/or concealed with other durable goods for onward shipment. A significant cocaine seizure from maritime cargo occurred on July 17, 2000, when National Maritime Service (SMN) officers seized 245 kilograms of cocaine that had been hidden in the false floors of five sport utility vehicles en route to Germany. A second important maritime seizure occurred on December 7, 2000, when Panamanian Customs officers working in the CFZ seized 326 kilograms of cocaine that had been hidden in a shipment of 30 boxes of shoes destined for Spain. A third major seizure related to maritime transportation, a shipment of 669 kilograms hidden in cardboard boxes containing clothing, was seized from a residence by the National Police on December 1, 2000. This shipment was about to be transferred to a warehouse in the CFZ, where it was to be commingled with legitimate cargo.

Law enforcement agencies in the United States and other drug-consumer countries traditionally have focused interdiction assets on containerized cargo arriving from source countries such as Colombia. However, it has become evident in recent years that trafficking organizations are using containers from non-source countries such as Panama. With traffickers increasingly using Panama's port facilities to move drugs, chemicals, and currency via containerized cargo, Panama has become a particularly important transit country.

The CFZ, the Port of Cristobal, and the Port of Coco Solo, located at the northern (Caribbean) entrance of the Panama Canal, are primary targets for counterdrug law enforcement authorities. The Port of Cristobal handles containerized cargo, with facilities to load containers directly onto the beds of trucks. The Port of Coco Solo supports a container transshipment facility, as well as coastal shipping activity. The Port of Balboa, located at the southern (Pacific) entrance of the Canal, handles containerized cargo and is an important staging point for drug transshipment operations.

Panama's role as a transshipment point for narcotics is unique because of the Panama Canal and the CFZ. Within Panama, the CFZ is a port area where a company may import and store merchandise free of taxes. The merchandise may stay there indefinitely, as long as the company holding the merchandise pays the port fees. Items commonly are brought in and remain there until the importer finds a customer. A company or individual may go into the CFZ and buy merchandise and arrange to have it shipped via rented containers from any one of a number of transport companies that operate in the CFZ.

Smuggling along both the Caribbean and Pacific coasts via go-fast boats continued during 2000. The SMN conducted operations resulting in seizures of 1,496 kilograms of cocaine and 6 kilograms of heroin during 2000. During its counterdrug operations, the SMN seized four go-fast boats that were subsequently provided to the SMN by the Attorney General to be utilized as SMN patrol craft. Significant cocaine seizures from maritime vessels included 646 kilograms seized from a maritime vessel on March 28, 2000, off-shore from Puerto Obaldia on the Caribbean coast close to the Colombian border, and 400 kilograms seized by the SMN on September 21, 2000, from a go-fast boat that was beached on San Miguel Island in the Gulf of Panama.

Intelligence and seizure data indicate that Panama continues to be the primary staging area for overland drug transshipment in the region. There were several large drug seizures from storage locations in private residences during 2000. The largest single cocaine seizure during 2000 was from a residence in Panama City, where the National Police seized 825 kilograms hidden in 28 boxes, along with an additional 183 kilograms from a sport utility vehicle. Other significant seizures from residences included 236 kilograms of cocaine from a residence in Santa Rita de Anton in Cocle Province on March 7, 2000; 229 kilograms from a residence in San Miguelito on May 22, 2000; 616 kilograms from a residence in Santa Clara (100 kilometers west of Panama City) on June 4, 2000; and 394 kilograms from a residence in David on December 25, 2000. The largest cocaine seizure during the first half of 2001 was made from a dump truck on a highway near Panama City. Three truckers were arrested after Panamanian police discovered 800 kilograms of cocaine concealed in the bed of the vehicle under a load of dirt. Two other significant seizures—424 kilograms on April 30, 2001, and 300 kilograms on March 13, 2001—resulted from investigative information shared between the Drug Enforcement Administration (DEA) and Panamanian authorities.

The overland movement of drugs in commercial shipments through Central America is well documented. Drug traffickers use tractor-trailers to transport large volumes of commercial goods across Central American borders, primarily via the Pan-American Highway. Prior to 1998, tractor-trailers operated by drivers recruited in Guatemala traveled to Panama to pick up ton-quantity loads of cocaine that were hidden in false walls or floors of the trailer or, less frequently, in the fuel tanks. Drug traffickers began transporting cocaine in smaller loads (100 to 200 kilograms) in 1999, following numerous multiton seizures from tractor-trailer trucks during the late 1990s. On August 1, 2000, the National Police seized 226 kilograms of cocaine from a pickup truck near Panama City. Across the Costa Rican border, there were several 100- to 200-kilogram seizures during 2000 from vehicles traveling along the Pan-American Highway that entered Costa Rica from Panama.

The DEA and American Embassy elements have received reports regarding deliveries of cocaine by air drop from general aviation aircraft to the Caribbean and Pacific coasts of Panama. These low-flying planes drop their cargo into the water near small craft (either go-fast boats or *cayucos*), near beach areas, or small deserted islands that dot both coasts. These aerial operations occur throughout the night and into daylight hours. Both the SMN and the National Aeronautic Service (SAN) have responded to numerous incidents, some resulting in the seizure of small to multihundred-kilogram quantities of cocaine.

Cocaine from airdrops in western Panama's Chiriqui and Bocas del Toro Provinces is generally shipped via truck on the Pan-American Highway into Costa Rica and eventually on to the

United States. Air drops in the Gulf of Panama and the Eastern Pacific/Caribbean area are presently believed to be smuggled into the CFZ, where the cocaine is then commingled with legitimate cargo and/or concealed inside cargo containers for eventual shipment to the United States and/or Europe.

The inability to distinguish between legal and illegal flights in Panamanian airspace is a longstanding vulnerability that is regularly exploited by aircraft moving drugs from Colombia. Embassy personnel have met with the Air Navigation Department and the Civil Aeronautics Directorate (DAC), who have agreed to work closely with the DEA and Joint Interagency Task Force East (JIATF-E) to enable the sorting of suspect flights detected by U.S. Over-The-Horizon Radar systems and local air traffic control (ATC) radar. Currently, sorting is not accomplished directly with the DAC but via liaison with the SAN, through which the DEA coordinates the sorting of suspect tracks.

Air cargo offers another alternative for traffickers to ship cocaine directly to destination countries, usually in shipments ranging from 50 kilograms to 200 kilograms. Heroin traffickers also use air cargo as an alternative to couriers. On December 22, 2000, an employee at the cargo facility at Tocumen International Airport discovered 10 kilograms of heroin and 22 kilograms of cocaine left in cardboard boxes on a baggage cart in an area where an airplane from Houston, Texas, was scheduled to park after landing. This was the largest single seizure of heroin in Panama to date.

Colombian heroin trafficking activities increased in Panama between 1999 and 2001, especially via Tocumen International Airport to the United States. Some of the heroin exiting Tocumen International Airport arrives through Panama's regional airports, which lack adequate security measures. Several Colombian organizations are transporting approximately 5 to 10 kilograms of heroin per week through Panama and on to the United States and Europe. Approximately 78 kilograms of Colombian heroin were seized during the first 6 months of 2001, compared to 69 kilograms seized during all of 2000. South American heroin is smuggled through Tocumen International Airport via false-bottom suitcases and internal/external body-carry methods. Although many couriers were detected and detained by Panamanian Customs during 2000, heroin couriers arriving at Tocumen International Airport increasingly are switching identification and travel documents on arrival. This strategy allows the courier to remain in the International Arrival/Departure area and not clear Immigration or Customs.

The size of heroin smuggling shipments appeared to increase during 2001. During the first half of 2001 there were two 14-kilogram seizures and one 10-kilogram seizure of heroin at the Tocumen International Airport, as well as numerous other seizures from couriers that amounted to well over the traditional single kilogram usually smuggled by couriers in the past.

DRUG ABUSE

Public awareness of the dangers of drug abuse is high, and is reinforced by an escalating addiction problem. Drug abuse continues to be a growing problem in Panama with cocaine and its derivatives reaching epidemic levels. Panama's drug abuse rate is considered to be the highest in Central America.

Starting in the mid-1990s, Colombian trafficking organizations began paying their Panamanian associates “in kind” rather than in cash. This change in payment method helped to create the current cocaine/crack epidemic in Panama. In order to convert their payment in cocaine to cash, Panamanian middlemen began to convert the cocaine to crack and distribute it locally, thus contributing to the local abuse problem and the local market for cocaine. Much of the cocaine paid to local trafficking groups is converted into crack or *bazuco* (marijuana saturated in cocaine base) for sale to urban youth and Kuna Indians. Local studies have shown that Panama has one of the highest rates of cocaine abuse in Central America, and Kuna leaders have expressed concern over the impact of the drug trade on Kuna society.

Colombian heroin continued to appear in significant quantities in 2000, indicating that Colombia-based organizations remain committed to increasing their share of the heroin market. The Government of Panama (GOP) is concerned that increased heroin trafficking also will result in “payment-in-kind” arrangements, which, in turn, will increase the amount of heroin available for domestic consumption in Panama.

Panama has continued to implement its own counternarcotics plan developed by CONAPRED under the auspices of the Attorney General’s *National Drug Strategy: 1996-2001*. This plan stresses prevention, treatment, rehabilitation, reinsertion into the labor force, control of supply, and interdiction. It incorporates activities by the Panamanian Government and private groups, most notably the Catholic Church.

MONEY LAUNDERING

As an international financial and commercial center, Panama’s institutions remain vulnerable to money laundering and illicit financial transactions. Key factors that facilitate money laundering include an advanced infrastructure and well-developed financial-services sector that offers banking, which is essential to the sophisticated money laundering techniques used by the major drug cartels; a dollar-based economy; and weak controls on cash, commodity imports, and exports. No reliable estimates exist on the total amount of money laundering that takes place via Panamanian banks or other financial institutions.

Despite its relatively small size (\$6 billion in U.S. assets at the end of 1997), Panama’s international banking sector continues to serve as a regional financial center. As a matter of policy, the Panamanian Government opposes drug-related money laundering, and has legal and bureaucratic structures to combat it. However, Panama’s legal requirement that money laundering be tied directly to drug trafficking makes prosecution difficult. In response to political instability, high inflation, tax structures perceived as unreasonable, and often irrational economic policies by political decision-makers in Central America and northern South America, Panama has served as a center for non-narcotics money laundering and tax evasion for many years. Despite economic reforms in neighboring countries, Panama continues to attract funds.

U.S. and Panamanian definitions of “money laundering” are clearly at odds. Under Panamanian law, if a merchant demonstrates that transactions include real goods, and payment is at fair market value, he has not engaged in money laundering: willful ignorance is not a crime. From the Panamanian perspective, criminal money laundering takes place only when a person moves cash without a commensurate exchange of goods, and the cash involved results from

specific narcotics transactions. Business in Panama is very competitive, making business owners reluctant to take actions that might offend customers. In recent years, attorneys involved in the incorporation of new firms have been required to “know your customer.” However, bank auditors have not been required to conduct retrospective investigations, so already existing corporations still can be used by traffickers. The lack of means to check offshore references means a complete investigation of beneficial ownership cannot take place to the extent law enforcement agencies require. In addition, informal personal reference procedures can short circuit the process, permitting creation of corporations by individuals who otherwise might not qualify.

All persons arriving in Panama must report currency or liquid assets greater than US\$10,000 on a customs reporting form. There is, however, no consistent checking of the accuracy of such forms. Arriving passengers can deposit funds in a National Bank of Panama office at Tocumen International Airport.

In 2000, the DEA Panama Country Office (PCO) coordinated with the U.S. Department of State’s Bureau of International Narcotics and Law Enforcement (INL), the DEA El Paso Intelligence Center, and Financial Crimes Enforcement Network (FINCEN) to provide the appropriate training equipment and sample legislation to help the GOP develop plans to combat money laundering. These plans include legislative proposals to allow the Financial Analysis Unit/Financial Investigative Unit (FAU/FIU) to target individuals, banks, or entities in the CFZ that may be involved in illegal financial activities. Improved legislation and investigative techniques will enable money laundering prosecutions regardless of complexity, and the amount of time and resources required. In addition the PCO will assist in the development of legislation needed for the FAU/FIU to share information with similar foreign agencies.

On September 17, 2000, Yarden Hebroni, a major money laundering suspect, was arrested at the Newark Airport upon her arrival from Panama. Hebroni and her business in Panama, “Speed Joyeros,” had been targets of a money laundering investigation which began in April 1999 and culminated in 2000. Hebroni used her business to launder proceeds for several Colombian drug traffickers through false gold purchases/sales; by exchanging cash for second and third-party checks; false invoicing; and a multitude of bank transfers.

The Speed Joyeros case represented the first ever U.S. indictment of a CFZ company. This operation involved Panamanian police and police from several countries (including the United States, Spain, and Italy). To date, the investigation has resulted in the arrest of Hebroni (who is awaiting trial in the Eastern District of New York), one fugitive, the seizure of over 1.6 tons of gold worth US\$16 million, over 2.3 tons of silver, one apartment, and 5 vehicles. Total assets are estimated at over US\$20 million.

PRICES

The wholesale price for a kilogram of cocaine in Panama during 2000 ranged from US\$2,000 per kilogram to US\$2,500 per kilogram. Heroin wholesale prices per kilogram ranged from US\$25,000 to US\$30,000. The wholesale price for a kilogram of marijuana was US\$65.

COUNTERDRUG ENFORCEMENT

Panamanian agencies involved in drug law enforcement are the Panamanian National Police (PNP), the PTJ, the SMN, the SAN, the Customs Service, the Joint Information Coordination Center, and the Drug Prosecutor's Office.

The Panamanian Government established the PNP after abolishing the Panamanian Defense Forces in 1990. The PNP has approximately 13,000 officers. The Police Information and Investigation Directorate (DIIP), the detective branch of the PNP, has been successful in conducting street level criminal investigations, including counterdrug operations. The DIIP is composed of approximately 600 officers.

President Moscoso retained Attorney General Jose Sossa, Drug Prosecutor Rosando Miranda, and PTJ Director General Alejandro Moncada Luna in the positions which they held under former president Perez Balladares. President Moscoso also retained a large percentage of the rank-and-file members of Panamanian law enforcement agencies, allowing for a smoother transition between administrations and avoiding the confusion of massive replacements.

The PTJ operated under the Public Ministry until January 1999, when new legislation placed the PTJ under the control of the Panamanian Supreme Court. The PTJ is Panama's equivalent of the U.S. Federal Bureau of Investigation (FBI) and has a small antinarcotics unit (approximately 80 members) that is responsible for the enforcement of Panamanian narcotics laws. The PTJ is the lead agency for conducting chemical and criminal investigations, including illegal and pharmaceutical drugs. The PTJ issues chemical handling permits and has the authority to revoke the permits at its own discretion. The PTJ has proactively undertaken the task of monitoring chemical shipments imported to, exported from, and transiting Panama. Panamanian companies must request permission from the PTJ to import controlled chemicals. The PTJ has good relations with the chemical industry in Panama and has not been legally challenged when approaching companies for information. In Panama, when the PTJ suspects a company is diverting chemicals, the burden of proof is on the company to prove it is not involved in the diversion. The DEA has a Memorandum of Understanding with the PTJ.

The SMN is responsible for patrolling Panama's waterways. In spite of limited resources and an aging fleet, the SMN is conducting selective operations in Panama's coastal waters designed to project Panama's law enforcement capability at sea. The SMN has approximately 600 persons assigned to its main headquarters, 6 base locations, and 6 observation posts. The SMN operates 37 patrol craft to patrol Panama's 2,800 kilometers of shoreline and 1,480 islands. The SMN endeavors to maintain three patrol craft in the coastal waters of the Chiriqui Province (Pacific), and two patrol craft in the Bocas del Toro (Atlantic-Caribbean) area, to enforce economic and environmental laws as well as providing some deterrence to a full range of illegal activities.

The SAN is responsible for protecting Panama's air space and conducting aerial patrols. It also provides crop eradication support, humanitarian flights, aerial intelligence, and reconnaissance support to the various law enforcement entities of Panama. The SAN has 393 personnel, most of whom are assigned to its main headquarters. Despite limited resources and internal structural problems, the SAN continued to be an enthusiastic partner in the

counterdrug effort, providing excellent support for counterdrug operations. Notable successes include the March 25, 2000, seizure of a helicopter and 350 kilograms of cocaine in Chiriqui Province. During this event, the SAN demonstrated its capability to intercept, track, and force down a helicopter identified by the U.S. Customs Service as having been purchased from drug proceeds. The SAN has repeatedly responded to U.S. law enforcement agency requests for air surveillance and logistical support.

Panama's Customs Service functions as a fiscal organization under the Panamanian Treasury Department. Customs enforces contraband laws and collects import duties. Criminal violations involving other matters, when uncovered by the Customs Service, are referred to the PTJ. When merchandise enters Panama, the importer pays an import duty on the merchandise based on information from the accompanying shipping documents. However, the Customs Service does not usually verify if the merchandise matches the shipping documentation.

The primary legislation addressing chemical control is Panama's Law Number 13 of July 1994, which is structured after the Organization of American States Model Regulations. The Panamanian law defines precursor chemicals, as well as tableting and encapsulating machines, as drugs. Panamanian legislation also may be interpreted to define drugs as contraband, which is under the jurisdiction of the Customs Service. Consequently, there has been a dispute between the PTJ and the Customs Service regarding which agency will lead the country's chemical control efforts.

The U.S. Coast Guard Attaché's Office and the DEA have worked with the GOP to conduct multiple large-scale maritime law enforcement operations to interdict drug shipments; exercise various Panamanian and U.S. law entities in a joint environment; and enforce the laws of Panama. The operations also provide training in hot pursuit and the boarding of vessels in accordance with international law. These exercises allow both U.S. and Panamanian personnel to gain experience in developing communication, aviation, and search plans.

In 2000, the DEA coordinated with Panama on ways to expand the task force concept to include Panamanian Customs and Immigration. In December 2000, Panamanian law enforcement entities started a month-long interdiction effort entitled "Operation Tocumen 2000 Without Drugs." A loose task force made up of PNP, PTJ, the Customs Service, DAC, and Immigration officials are working together to identify and arrest heroin swallowers passing through Tocumen International Airport.

DEA continues to assist the Panamanian FAU/FIU in fulfilling its mandate to develop information that may lead to prosecution by the Public Ministry of individuals, and/or organizations, involved in money laundering activities.

The GOP continues to strengthen its laws covering all aspects of drug trafficking including interdiction, asset seizure, money laundering investigations, and prosecution of drug-related crimes. Panama has established a system for identifying, tracing, freezing, seizing, and forfeiting narcotics-related assets. Presently, existing laws allow for the seizure and forfeiture of real and personal property, including the instruments of crime (such as vehicles, boats, and planes used to transport drugs), intangible property (such as bank accounts), and land on which illicit crops are grown.

BORDER SECURITY ISSUES IN THE DARIEN REGION

Panamanian political authorities no longer disclaim reports that the *Fuerzas Armadas Revolucionarias de Colombia* (FARC) and Colombian paramilitary *Autodefensas Unidas de Colombia* (AUC) are operating in the Darien–Comarca de San Blas border regions. It is believed that these entities are utilizing Panama as a rest, recuperation, and logistics venue. Various sources have suggested that cocaine processing is taking place in the Darien at several remote locations. The lack of government control and the environment of lawlessness that pervades these areas bordering Colombia, has significantly inhibited PCO and Panamanian Government efforts to pursue investigative leads.

Panamanian authorities also downplay their inability to control the Darien–Comarca de San Blas. The Panamanian Government lacks the resources to commit to this region, which, in turn, aggravates the smuggling of drugs and other contraband through this territory. The topography is composed of rainforest, swamp, and inaccessible coastal area. Further, it remains the most sparsely populated, isolated, and remote region of Panama. The Darien Province is also the only interruption in the Pan-American Highway between North and South America. At present, the Panamanian Public Forces have virtually no capability of targeting trafficking organizations or related infrastructure. As a result, both U.S. and Panamanian Government counterdrug efforts are limited to information gathering through aerial reconnaissance and limited informant reporting.

BILATERAL COOPERATION AND TREATIES

Panama is a party to the 1988 U.N. Convention, the 1961 Single Convention on Narcotics Drugs and its 1972 Protocol, and the 1971 Convention on Psychotropic Substances. The Panamanian Government ratified a Mutual Legal Assistance Treaty (MLAT) with the U.S. in 1991, which went into effect on September 6, 1995. The Panamanian Government participates in the Inter-American Drug Abuse Control Commission (CICAD), the Caribbean Financial Action Task Force (CFATF), and the Basel Committee's Offshore Group of Bank Supervisors (OGBS). Panama has bilateral agreements on drug trafficking with the United Kingdom, Colombia, Mexico, Cuba, and Peru; it also has MLATs with the United Kingdom, Colombia, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua. In 1997, Panama became the first Latin American country to join the Egmont Group, an alliance of some 30 nations with centralized FIUs to combat money laundering.

Negotiations for a Comprehensive Maritime Interdiction Treaty between the United States and Panama were concluded in 1997. As of this date the Panamanian Government has not ratified this treaty. However, on September 24, 1999, Panama and the United States signed a "letter of understanding" that will allow the coast guard services of both nations to work together to seize drugs off the Panamanian coast and on the high seas. Based on the success of this agreement, the Panamanian Government is supporting a bilateral maritime agreement that may be ratified during 2001 (i.e., progress has been made, but there are still significant differences in language).

The Moscoso Administration has continued its close cooperation with the United States by increasing joint counternarcotics efforts with the DEA and by strengthening national law enforcement institutions. The Panamanian Government has remained one of the United States' principal partners in counternarcotics missions. The Moscoso Administration has

been extremely cooperative with the U.S. Government, both with seizures within Panamanian territory and prosecution of drug trafficking targets. The Moscoso Administration has engaged in cooperative maritime investigations with partner nations, most notably Colombia and Costa Rica. The PTJ, the Customs Service, the National Directorate of Immigration, and the PNP, with support from the U.S. Immigration and Naturalization Service, U.S. Customs Service, and the DEA executed two major joint interdiction operations along the Costa Rican border against alien smuggling and drug trafficking during 2000.

The close cooperation between the United States and Panama paid off on February 9, 2000, when the PTJ arrested a major Colombian drug trafficker, Jose Guillermo Gomez-Ramirez, aka *Memo*, and Colombian associate Holmes Valencia-Rios in Panama. Gomez-Ramirez had been the target of investigations conducted by all DEA Central American country offices. On October 26, 1999, Gomez-Ramirez escaped from a Guatemalan prison and fled to Panama. Both Gomez-Ramirez and Valencia-Rios were expelled from Panama to the United States to face federal drug charges.

The U.S. Embassy and other international organizations lobbied the Panamanian Government to simplify its legal process to allow prosecutors more latitude in pursuing money-laundering activities; increase the number of predicate offenses; as well as the increased use of the FAU both in pursuing cases and in sharing information. These efforts, coupled with the fact that Panama was named for noncompliance by the international community (to include the Financial Action Task Force (FATF), the Organization for Economic Cooperation and Development (OECD), and the G-7), resulted in a genuine and serious undertaking in 2000 by the Moscoso Administration to enhance the current money laundering law.

In 2000, the DEA continued to oversee and develop the intelligence and information collection capabilities of the *Centro para la Informacion y Coordinacion Conjunta* (CICC). The CICC is promoted by the DEA and heavily utilized to enhance host nation capabilities in terms of a single point of contact/access by law enforcement officials to Panamanian public information databases. With the DEA's assistance, the CICC is working to improve communications between law enforcement entities within the various provinces of Panama, with the goal of improving the speed with which intelligence information is collected. The DEA and CICC are currently planning an expansion of their intelligence outreach efforts, to include regional training sessions in 2001 to engage Panamanian field elements more fully in each province.

The PTJ worked closely with the DEA to develop a major project that will establish Panama's first regional PTJ Forensic Laboratory and lead to upgrades for the PTJ Central Forensic Laboratory.

DEA actively participates in a maritime counterdrug training program for the SNM designed to develop the SMN's interdiction operations. The U.S. Coast Guard provides this training and technical assistance.

TRENDS/PROJECTIONS

The DEA has received intelligence information reiterating the following drug transshipment trends:

- staging of large cargo vessels from Panama for multiton drug deliveries
- continued practice of hiding drugs in commercial maritime cargo and containers
- continued use of coastal freighters moving drugs, weapons, and contraband between Panama and the Colombian north coast
- increased use of small coastal freighters moving drugs and weapons on behalf of the FARC on the Pacific side
- increased staging of fishing vessels from Panama for eastern Pacific drug transshipments between Colombia and Mexico
- light levels of go-fast boat activity on the Caribbean coast and continued go-fast boat activity on the eastern Pacific coast
- increased indications of general aviation aircraft staging from Panama for regional drug shipments
- continued use of the Pan-American Highway for shipment of multihundred-kilogram quantities into Central America and to maritime and air staging/pickup locations
- increased use of the international airport for heroin courier operations

Taken together, these trends indicate that Panama continues to be a crossroads for drug traffickers, and that the country's importance in the transshipment of cocaine from South America to the United States is growing.

CONCLUSIONS

Panama experienced both positive and negative developments during 2000 regarding drug enforcement efforts. The incursion of Colombian guerrillas, para-military groups, and drug traffickers received widespread press attention in 2000, as Panamanians became increasingly aware of the security dangers facing their country. The public awareness of security issues and the incoming Moscoso Administration improved the prospects of bilateral cooperation between Panama and the United States. The return of the Panama Canal to Panamanian control changed the nature of the relationship between Panama and the United States; it ended a contentious issue between the two governments and improved the likelihood that Panamanians will view the United States as an international partner instead of as a colonial power.

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